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EATON

Internal Correspondence

Date : 17Jul95

To : D. Alles, M. Amsallen, A. Best, M. Boardman, J. Carpenter, B. Coe, A. Davis, K. Davis, G. Dettloff, D. DeZeeuw, R. Duerr, S. Edelen, D. Depta, T. Fanning, T. Genise-CoRD-DC, D. Gooch, D. Heystek, R. Hobbie, R. Holmes-CoRD-DC, D. Janecke, F. Kinney, J. McReynolds, T. Morscheck, R. Muth, G. Organek-CoRD-DC, J. Rawsky, D. Renz, L. Roberts, D. Rozsi, R. Selkirk, J. Steeby, J. Stevens, R. Tooker, B. Vincent, J. Walker, J. Warren, B. Woll, D. Wood, M. Yukich

Copy : M. Daly - Hounslow, M. Fowler - Manchester

From : William A. Batten

Subject : Automation Strategic Planning Meeting Minutes

CONFIDENTIAL

The following comments/issues were the result of the Automation Strategic Planning meetings held on 14JUL95 at the Marshall Proving Grounds. Follow-up meetings will be scheduled for many of these items in the near future. However, in the interest of timeliness, these minutes as well as all of the presentation materials are being issued now.

SPECIFIC ACTION PLANS

- Ignore CEEMAT Sunk Cost. Prepare CEEMAT/CEMT P&L Statement using existing capital base at APC and Shenandoah.
- Prepare three P&L Statements for Automated Transmissions:
 - CEEMAT / CEMT
 - AutoSelect / AutoShift
 - Super 10 Top 2P&L Statements should account for Actual Warranty/Policy dollars, Royalties and Service Parts sales.
- Eliminate "Double Dipping" of profit margins on electronics. Utilize the "Corporate Inter-Company Pricing Method" between TCONA and Watertown on all electronics.
- Implement the "Service 2000 Team" recommendations. Tools and training are going very slowly.



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- A "Materials Team" should be formed at the APC to be dedicated towards Automated Transmissions. This team will be formed from existing personnel at TCONA and relocated to Oshtemo. Including:

PURCHASING
MATERIAL PLANNING
SUPPLIER QUALITY

- Maintain sufficient Engineering resources for current product support of Automated Transmissions.
- AutoSelect pricing must be lowered if it is to sell in the fleet market. However, previous Allison buyers are not so price sensitive. Therefore, a strategy must be employed to target price this product depending on the vocation. A separate meeting will be called in the future to address this situation.
- Automated Transmissions must be promoted if they are expected to sell. Individual promotion budgets should be established for each of the Automated Transmissions for 1996.
- The 5 Year Strat Plan must be adhered to. Any changes must yield more value to the corporation.

GENERAL COMMENTS

- Automation is an engineering intensive business with a low capital requirement in contrast to our conventional mechanical business which tends to be very capital intensive with less engineering resources required.
- "House of Quality" or customer values will be significantly different for customers in Europe and/or Asia.
- We must schedule our new product introduction around technology and not technology around our new product introductions. Scheduled inventions rarely work!
- There is a potential of taking approximately \$1200.00 out of the cost of the AutoSelect and AutoShift products in the 1998 time frame.
- The APC has been set-up for 100% inspection of all incoming parts. This is in contrast to our current high volume plant philosophy.
- New products require dedicated resources.

100-4710-1000 Freightliner Corp

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The reliability of our Automated Transmissions must be significantly improved before our field organization will sell them. The CEMT is an example of a product that has good quality and is selling well.

The AutoShift may replace much of the AutoSelect sales. However, there will most likely always be a market for the AutoSelect even if it is small.

The AutoSplit should not be introduced until one year after the 747 base transmission is in full production. Also, this project must be properly staffed with the correct dedicated resources prior to initiation. (It should be noted that not everyone agreed with this strategy. It delays the AutoSplit until at least the 1999 model year.)

As a reference, the vehicles & displays were presented by the following individuals:

RIDE & DRIVE

- Super 10 Top 2	Jon Steeby
- AutoSelect	Don Rozsi
- AutoShift Truck	Marcel Amsallen
- CEMAT	Mark Boardman
- AutoSplit Concept Truck	Tom Genise
- Allison MD	Rolf Duerr

STATIC DISPLAYS

- Super 10 Top 2	Dan Janecke
- AutoShift	"
- CEMAT	"
- Push-In Speed Sensor	Jeff Carpenter
- Arens Display	"
- Cost Reduced Shift Console	"
- Ball Ramp Inertia Brake	Al Davis
- UATF	Don Bolthouse
- MPSI Tools	Reed Selkirk

If you have any suggestions for this meeting, please give me a call.

Thanks,

Bill

Bill

10:10 18:18 PRESENTED BY THE P

AGENDA

AUTOMATION STRATEGIC PLANNING MEETING

14JUL95; MARSHALL PROVING GROUNDS

7:00	<u>RIDE & DRIVE</u> <ul style="list-style-type: none">- Dana Automate II- Super 10 Top 2- AutoSplit Concept Vehicle- AutoSelect- AutoShift Truck- CEEMAT- Allison MD	<u>STATIC DISPLAYS</u> <ul style="list-style-type: none">- Super 10 Top 2- Push-In Speed Sensor- Arens Display- Cost Reduced Shift Console- Ball Ramp Inertia Brake- AutoShift- CEEMAT- UATF- MPSI Diagnostic Tools
8:45	Why We Are Here <ul style="list-style-type: none">- Mission Statements- Automation Vision<ul style="list-style-type: none">- Where Are We Going- TCONA Strategic Plan- Strategic Value of Automation	George Dettloff
9:00	Automation Environment <ul style="list-style-type: none">- Benchmarking- SWOT Analysis	Bill Batten
9:30	Break	
9:45	SPPD for Automation <ul style="list-style-type: none">- Lessons Learned	Steve Edelen
10:30	Business Strategies <ul style="list-style-type: none">- Current Marketing Situation- Strategies	Bill Batten

AGENDA

AUTOMATION STRATEGIC PLANNING MEETING 14JUL95; MARSHALL PROVING GROUNDS

11:00 Action Plan

- Strengthening the 5 Year P & L Tony Fanning
- Realistic Payback Timing
- Product Line Reporting
- Watertown Partnership

- Adequately Supporting Existing Products Bill Batten

- Service, Training, Accounting, Material Control, Engineering, APC Team, AutoSplit

- Promotion

- AutoSelect Pricing
- Promotion Budget

- Continued Support of 5 Year Plan Bill Batten

- Changes Must Yield Value

12:00 Lunch

Potential Partnership Discussion All

- Clark-Hurth
- Allison
- Wire Harness Manf.
- Watertown (Electronics)

12:30 Next Review

Bill Batten

- Market Response to Current Action Items
- AC Seed Program
- CEEMAT w/ ESL
- Automation Service Strategy

AGENDA

AUTOMATION STRATEGIC PLANNING MEETING

14JUL95; MARSHALL PROVING GROUNDS

1:00	<u>RIDE & DRIVE</u> <ul style="list-style-type: none">- Dana Automate II- Super 10 Top 2- AutoSplit Concept Vehicle- AutoSelect- AutoShift Truck- CEEMAT- Allison MD	<u>STATIC DISPLAYS</u> <ul style="list-style-type: none">- Super 10 Top 2- Push-In Speed Sensor- Arens Display- Cost Reduced Shift Console- Ball Ramp Inertia Brake- AutoShift- CEEMAT- UATF- MPSI Diagnostic Tools
2:15	Why We Are Here <ul style="list-style-type: none">- Mission Statements- Automation Vision<ul style="list-style-type: none">- Where Are We Going- TCONA Strategic Plan- Strategic Value of Automation	George Dettloff
2:30	Automation Environment <ul style="list-style-type: none">- Benchmarking- SWOT Analysis	Bill Batten
2:45	Break	
3:00	SPPD for Automation <ul style="list-style-type: none">- Lessons Learned	Steve Edelen
3:30	Business Strategies <ul style="list-style-type: none">- Current Marketing Situation- Strategies	Bill Batten

AGENDA

AUTOMATION STRATEGIC PLANNING MEETING 14JUL95; MARSHALL PROVING GROUNDS

4:00 Action Plan

- Strengthening the 5 Year P & L Tony Fanning
 - Realistic Payback Timing
 - Product Line Reporting
 - Watertown Partnership
- Adequately Supporting Existing Products Bill Batten
 - Service, Training, Accounting, Material Control, Engineering, APC Team, AutoSplit
- Promotion
 - AutoSelect Pricing
 - Promotion Budget
- Continued Support of 5 Year Plan Bill Batten
 - Changes Must Yield Value

4:55 Next Review

- Market Response to Current Action Items
 - AC Seed Program
 - CEEMAT w/ ESL
 - Automation Service Strategy

Eaton Mission

Producing the highest quality products at
costs which make them economically
practical in the most competitivey priced
markets.

J.O. Eaton, 1911

=EATON Automation

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